Testimony of
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Chairman Goodlatte, Ranking Member Peterson and members of the Committee, thank you for giving me the opportunity to testify before you today about a key issue facing our nation today – energy, national and economic security. With gasoline prices at near record levels, petroleum imports rising, domestic energy production declining, and the nation's energy crisis slowing economic growth, now is the time to maximize the production and use of domestic renewable fuels by supporting an 8 billion gallon Renewable Fuels Standard (RFS).

My name is Leon Corzine, and I am President of the National Corn Growers Association (NCGA). My wife, Susie, and son Craig, and I grow corn and soybeans on our family farm in Assumption, Illinois.

NCGA was founded in 1957 and represents more than 33,000 dues-paying members from 48 states. NCGA also represents the interests of the more than 300,000 farmers who contribute to corn checkoff programs in 19 states. NCGA's mission is to create and increase opportunities for corn growers and to enhance corn's profitability and use.

The renewable fuels industry took another step toward making an 8 billion gallon RFS a reality on June 28th, Mr. Chairman, when you joined Ranking Member Peterson, and Representatives Gutknecht, Osborne, Herseth, King and Moran to introduce H.R. 3081, the Renewable Fuels Act of 2005. The introduction of H.R. 3081 came at an important time in the RFS debate. With the House and Senate currently in conference committee negotiations, increasing support from the House for an 8 billion gallon RFS is critical.

The passage of comprehensive energy legislation that includes an RFS has long been a top legislative priority for NCGA. For more than 20 years, NCGA has worked side by side with farmers, industry and government to build the ethanol industry from the ground up. The ethanol market is the single most successful and fastest growing value-added market for farmers. Nearly 60 percent of all U.S. ethanol plants are farmer-owned.

Our record 11.8 billion bushel corn crop in 2004 highlights the importance of the growing ethanol industry for corn growers seeking markets for their products. In 2004, the U.S. ethanol industry processed a record 1.26 billion bushels of corn into ethanol, 11 percent of our nation's corn crop. This year it is expected to reach nearly 13 percent. As the ethanol

industry continues to grow, opportunities for corn growers will expand as well. The resulting co-products will continue to provide a quality food supply for cattle, swine and poultry. There is still plenty of room for the ethanol market to grow without limiting the availability of corn.

An 8 billion gallon RFS will require the use of 2.374 billion bushels of corn for ethanol production and an estimated 310 million bushels of soybeans for biodiesel production by 2012. While these represent significant increases from 2005 levels, an 8 billion RFS is expected to have a small impact on feed costs for the livestock and poultry industry. Increased production of ethanol will result in large supplies of distiller's dried grains (DDG). This medium-protein feed component will find its largest demand in the beef and dairy cattle industries, but broiler, egg, and turkey growers will benefit from increased use of DDGs as well. DDGs have shown to be beneficial to turkeys and are being used in both broiler and egg laying rations. Increased supplies will result in favorable prices for DDGs that will restrain the growth in prices of soybean meal and other protein feeds. Larger supplies of soybean meal from increased crushing also will help keep prices from accelerating. The combination of these factors will prevent livestock and poultry growers from facing sharply higher feed costs.

While ethanol production creates greater demand for corn, it's not just corn growers who reap the benefits. The ethanol industry will spend an estimated $6 billion (2005 dollars) to build 4.3 billion gallons of new ethanol capacity between 2005 and 2012. According to an analysis conducted by John Urbanchuk with LECG, LLC, the ethanol industry will spend nearly $70 billion (2005 dollars) on goods and services required to produce 8 billion gallons of ethanol by 2012. Purchases of corn, the primary feedstock for ethanol production, alone will total $43 billon (2005 dollars) between 2005 and 2012. Each ethanol plant serves as a rural economic engine for the surrounding area – creating high-paying jobs, value-added markets for farmers and increased local tax revenue. It's the local schools in rural areas that rely on tax support. It's the main street merchants who depend on rural families with reliable incomes. Banks, implement dealers, community newspapers, grocery stores, repair shops – all those who live and do business in an area where an ethanol plant exists benefit from the economic activity that it generates.

Today, the U.S. ethanol industry has the capacity to produce more than 3.8 billion gallons, and 17 production facilities and three major expansions under construction will add an additional 900 million gallons of capacity. Enactment of an RFS would continue to expand domestic ethanol and biodiesel production. In 2004, ethanol production reached a record 3.4 billion gallons, doubling the industry's capacity from 2001. By the end of 2005, the U.S. ethanol industry is expected to produce 4 billion gallons. An 8 billion gallon RFS would double current ethanol production by 2012. This increase in capacity is due to the commitment of the nation's corn growers who are building more ethanol plants, with dozens of ethanol projects in development throughout the Corn Belt.

Ethanol facilities are extremely energy efficient and actually yield more energy than gasoline and the gasoline additive MTBE. According to the U.S. Department of Agriculture

(USDA), the net energy balance of ethanol indicates that ethanol produces 67 percent more energy than it takes to generate. Ethanol's energy efficiency comes from the fact that corn plants are very efficient solar panels for collecting and storing energy. Out of necessity, farmers have become more efficient in producing their product. In addition, a separate USDA analysis has found corn growers today use half the energy to produce a bushel of corn than they used just 25 years ago. As American farmers have become more efficient, so has ethanol production. New technologies and processes have had a dramatic effect on the energy required for ethanol production – greatly reducing energy input without adversely affecting the amount of ethanol and valuable co-products created. Those who claim that ethanol production is a net energy loser are using outdated information, old technology, and conveniently forgetting to mention that no fossil fuel can have a positive energy balance.

There are many other positive impacts resulting from an 8 billion gallon RFS. Farm income would also rise as ethanol production rapidly expands. An RFS will reduce the cost of the Farm Bill by raising the price of corn, creating more value-added opportunities through farmer-owned cooperatives and strengthening rural economies. According to USDA, ethanol adds 20 to 40 cents of additional value to every bushel of corn produced in the U.S. Ownership and increased crop value boost the agriculture economy, leading to reduced farm program costs and taxpayer outlays. In fact, with the enactment of an 8 billion gallon RFS, the Congressional Budget Office estimates that spending for farm programs would decline by approximately $4.8 billion between 2007 and 2015.

Our nation's dangerous dependence on foreign oil comes with the financial and human costs of military involvement in the Middle East, making us vulnerable to the whims of OPEC oil ministers and volatile and militant foreign governments. An 8 billion gallon RFS would provide a stable demand for the use of ethanol, while reducing the nation's dependence on foreign oil. The production and use of 8 billion gallons of domestically produced renewable fuels by 2012 would displace over 2 billion barrels of crude oil and dramatically reduce the outflow of dollars to foreign oil producers. That's fuel not controlled by the global market, leading to cost savings at the pump for consumers and a higher level of energy security. The increased use of ethanol in our nation's fuel supply is not the singular answer for America's dangerous dependence on foreign oil, but ethanol is already playing an important role in our nation's overall energy policy, and will play an integral part in finding a long-term energy security solution.

Today's record-high gasoline prices are hurting consumers, and record petroleum imports are aggravating our trade imbalance and slowing economic growth. According to a recently released report by the Consumer Federation of America, the increased use of ethanol would help to reduce gasoline prices by as much as 8 cents a gallon. Ethanol refiners have demonstrated their ability to produce ethanol-blended reformulated gasoline at competitive prices and as market demand

for ethanol has grown, that is having a positive impact on fuel prices. Ethanol is the most cost-effective octane additive available today and will play an important role in stabilizing gas prices in the future.

The environmental benefits of ethanol have been proven time and time again. Ethanol adds oxygen to gasoline – helping it burn more completely, significantly reducing tailpipe emissions. The use of ethanol in reformulated gasoline reduces carbon monoxide tailpipe emissions by 25 percents and dilutes other harmful components found in gasoline. A recent study by the Argonne National Laboratory notes that in 2003, ethanol use in the U.S. reduced greenhouse gas emission by approximately 5.7 million tons, or the equivalent of removing the emissions of 853,000 cars from the road.

The fuels provisions included in the Senate version of the energy bill include an 8-billion gallon national RFS to be phased-in by 2012, beginning with a 4 billion gallon standard in 2006. Moreover, it phases-out the use of MTBE, includes anti-backsliding provisions that will preserve the air quality benefits of reformulated gasoline, and provides significant new flexibility to refiners in the use of renewable fuels by limiting the application of credits generated by the RFS program to the year they are generated. NCGA urges you to support the Senate position on the RFS.

The RFS is about reducing American's dangerous dependence on foreign oil and the economic and military costs that result from that dependence. The RFS is about keeping our air and water clean through the use of safe, cleaner-burning fuels. The RFS is about improving our economy by building new domestic industries that can meet the demands of consumers and keep American dollars here at home instead of filling the coffers of foreign, unfriendly governments. The RFS is about the future of U.S. agriculture.

Our nation's farmers are the best in the world at growing corn, which means that we must continually grow existing markets and discover new ones for our product. Corn growers have proudly invested in this growing ethanol industry that is doing good things for America.

Congress needs to enact a comprehensive energy policy ***now*** that includes an 8 billion gallon RFS. Our ability to produce food and fuel for our nation and the world depends on this kind of a sound energy policy.

Chairman Goodlatte, Ranking Member Peterson, and members of the Committee, thank you for the opportunity to testify today on this timely and important issue. NCGA looks forward to working with you in advancing ethanol legislation today and in the future.

Thank you.